



NORTH CAROLINA GENERAL ASSEMBLY

Session 2019

Fiscal Analysis Memorandum

CONFIDENTIAL

Requestor: Representative Howard
Analyst(s): Jessica Meed
RE: Finance PCS to H575 for 6/26

SUMMARY TABLE

FISCAL IMPACT OF H.B. 575, V.PCS (\$ in thousands)

	<u>FY 2019-20</u>	<u>FY 2020-21</u>	<u>FY 2021-22</u>	<u>FY 2022-23</u>	<u>FY 2023-24</u>
State Impact					
General Fund Revenue	1.8	2.3	2.7	3.2	3.6
Less Expenditures	258.5	262.6	252.0	259.9	270.2
General Fund Impact	(256.7)	(260.3)	(249.3)	(256.7)	(266.6)
NET STATE IMPACT	(\$256.7)	(\$260.3)	(\$249.3)	(\$256.7)	(\$266.6)
STATE POSITIONS	2.00	2.00	2.00	2.00	2.00

FISCAL IMPACT SUMMARY

The PCS establishes a licensure process and annual licensing fees for birth centers. Entities wishing to operate a birth center would be required to pay an annual license fee of \$400 + \$17.50/ birthing room. The estimated General Fund impact of implementing a licensure process in accordance with the PCS is \$257,000-\$267,000 a year.

FISCAL ANALYSIS

The Department of Health and Human Services (DHHS), Division of Health Service Regulation (DHSR) has primary responsibility for implementing the requirements of the bill. The following analysis was conducted using data provided by DHSR.

There are four accredited birth centers currently operating in North Carolina. DHSR estimates that one new birth center will apply for licensure each year. Under this assumption, 8 birth centers would be operating in North Carolina by the end of FY 2023-24.



Fees

DHSR anticipates that the average size of a birth center will be 5,000 square feet, and contain an average of 3 birthing rooms. This analysis assumes that future birth centers will be of a similar size. This analysis assumes that rules will be in place to charge license fees during FY 2019-20.

	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Number of Birth Centers	4	5	6	7	8
Fee for a 3-Suite Birth Center \$400 +17.50/room	\$ 452.50	\$ 452.50	\$ 452.50	\$ 452.50	\$ 452.50
Projected Receipts	\$ 1,810	\$ 2,263	\$ 2,715	\$ 3,168	\$ 3,620

North Carolina Birth Center Commission

The bill creates a North Carolina Birth Center Commission, composed of seven members. DHSR anticipates that the Commission will need to meet 12 times a year for the first two years, to establish rules. Starting in year three the Commission will need to meet quarterly. Commission costs include per-diem and administrative support.

	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Commission Cost	\$ 33,411	\$ 33,411	\$ 11,137	\$ 11,137	\$ 11,137

Staff Requirements

DHSR reports that two FTEs are required to develop and implement a birth center licensing process. The first FTE is a Nursing Consultant II, with significant experience in labor and delivery, who would be located in DHSR's Acute and Home Care Licensure and Certification Section. The second FTE is an Engineer II, located in DHSR's Construction Section. These two FTE will have the subject-matter expertise to lead the inspection process. A full inspection team includes three clinical experts from the Acute Care section, and two engineering experts from the Construction section. DHSR will use existing staff members to complete the remaining slots on the inspection team.

The 2 FTEs will initially work on developing the licensure application and other forms associated with this program, as well as help promulgate the applicable regulations for the licensing of birth centers. Once the regulation and application process has been established, the two FTE will review applications, conduct licensing inspections, and investigate complaints.

	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
2 FTE	\$ 199,307	\$ 209,336	\$ 217,576	\$ 222,340	\$ 229,569



Travel Cost and Per-Diem

DHSR made the following assumptions in determining the number of site visits that would be required.

- Each site will require an annual inspection by a full inspection team (three acute care staff, and two construction staff). Most sites will require a follow-up visit to resolve discrepancies. Some sites may require more than one follow-up visit.
- There will be an average of two complaints per facility. Complaints will require an on-site investigation.

Travel Reason / Per Facility	# of Staff	Days	Nights
Initial Site Visit (Nurse Consultant II)	3	3	2
Initial Site Visit (Engineer II)	2	2	1
Follow-up Visits (Nurse Consultant II)	2	1	1
Follow-up Visits (Engineer II)	1	1	1
Complaint (Nurse Consultant II)	2	3	2
Complaint (Engineer II)	1	1	1

Operating Cost

Operating cost will include travel (inspections and investigations), office equipment, supplies, and research materials.

	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Operating Cost	\$ 25,798	\$ 19,887	\$ 23,293	\$ 26,406	\$ 29,521

TECHNICAL CONSIDERATIONS

DHSR reports that the Acute Care Section would require an additional FTE if the number of birthing centers grow beyond 9 facilities. DHSR also anticipates that the Construction Section would require an additional FTE if the number of birthing centers grow beyond 13 facilities.

DATA SOURCES

Division of Health Service Regulation.

FISCAL ANALYSIS MEMORANDUM – PURPOSE AND LIMITATIONS

This document is a fiscal analysis of a bill, draft bill, amendment, committee substitute, or conference committee report that is confidential under Chapter 120 of the General Statutes. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts. This document is not an official fiscal note. If a formal fiscal note is requested, please email your request to the Fiscal Research Division at FiscalNoteRequests@ncleg.net or call (919) 733-4910.

